

**CITY OF SHELDON**

**INDEPENDENT AUDITORS' REPORTS  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2014**

# CITY OF SHELDON

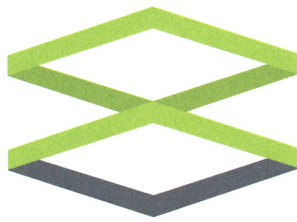
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# CITY OF SHELDON

## CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Katricia Meendering	Mayor	January 2017
Brad Hindt	Council Member	January 2016
Dave Popkes	Council Member to January 2014	
Ron Rensink	Council Member	January 2016
Duane Seehusen	Council Member to January 2014	
Greg Geels	Council Member	January 2016
Randy Fonkert	Council Member from January 2014	January 2018
Zach Sawyer	Council Member from January 2014	January 2018
Scott Wynja	City Manager	
Arlene Budden	Clerk/Treasurer to January 2014	
Angela Beckman	Clerk/Treasurer from January 2014	
Micah Schreurs	Attorney	
Skip Tanner	Airport Commissioner	July 2014
Glen Zylstra	Airport Commissioner	July 2015
Dave Popkes	Airport Commissioner	July 2014
Rob Dixon	Airport Commissioner	July 2015
Fred Stratman	Airport Commissioner	July 2017
Holly Hamill-Kamstra	Park and Recreation Commissioner	July 2014
Jodi Radke	Park and Recreation Commissioner	July 2015
Joni Davis	Park and Recreation Commissioner	July 2017
Niki Cooper	Park and Recreation Commissioner	July 2015
Mike Oldenkamp	Park and Recreation Commissioner	July 2014
Ed Stephens	Library Trustee	July 2015
Mildred Vos	Library Trustee	July 2015
Jane Cain	Library Trustee	July 2016
Jessica Brink	Library Trustee	July 2018
Bob Schuiteman	Library Trustee	July 2019
Mike McCuddin	Library Trustee	July 2017
Judy Honkomp	Library Trustee	July 2019
Ron Plum	Museum Trustee	July 2014
Marlene Pape	Museum Trustee	July 2016
Mildred Vos	Museum Trustee	July 2016
Cindy Runger	Museum Trustee	July 2015
Donna Hoadley	Museum Trustee	July 2014
Mark Poyzer	Museum Trustee	July 2014
Tom Whorley	Museum Trustee	July 2016
Pete Hamill	Recreational Trails Board	July 2016
Keith Rolston	Recreational Trails Board	July 2016
Phil Grove	Recreational Trails Board	July 2016
Jeanne Lichty	Recreational Trails Board	July 2015
Jan Neel	Recreational Trails Board	July 2015
Stan Ten Kley	Recreational Trails Board	July 2014
Donna Brinkman	Recreational Trails Board	July 2014
Shirley Letner	Recreational Trails Board	July 2014



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but

not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Sheldon as of June 30, 2014 and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Supplementary and Other Information*

Our audit was conducted for the purposes of forming opinions on the financial statements that collectively comprise the City of Sheldon's basic financial statements. The supplementary information included in Schedules 1 through 4, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, included in schedules 5 through 7, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2015 on our consideration of the City of Sheldon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Sheldon's internal control over financial reporting and compliance.

*Winther, Stowe & Co., LLP*

February 12, 2015  
Spencer, Iowa

## **BASIC FINANCIAL STATEMENTS**

CITY OF SHELDON  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

			Program Receipts
	Disbursements	Charges for Service	Operating Grants, Contributions, and Restricted Interest
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety .....	\$ 1,154,400	\$ 305,251	\$ 17,994
Public works .....	1,392,891	115,023	616,458
Health and social services .....	26,500		
Culture and recreation .....	481,142	140,198	51,314
Community and economic development .....	394,121	7,020	30,777
General government .....	410,375	12,675	
Debt service .....	1,281,730		29
Capital projects .....	6,648,345		
Total governmental activities	<u>11,789,504</u>	<u>580,167</u>	<u>716,572</u>
Business type activities:			
Water .....	1,448,313	965,089	
Sewer .....	731,314	741,691	
Total business type activities	<u>2,179,627</u>	<u>1,706,780</u>	
TOTAL	<u>\$13,969,131</u>	<u>\$2,286,947</u>	<u>\$ 716,572</u>
General receipts and transfers:			
Property and other city taxes levied for:			
General purposes .....			
Debt service .....			
Tax increment financing .....			
Local option sales tax .....			
Unrestricted investment earnings .....			
Unrestricted miscellaneous .....			
Operating transfers .....			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET POSITION .			
CASH BASIS NET POSITION -			
BEGINNING OF YEAR .....			
CASH BASIS NET POSITION - END OF YEAR			
CASH BASIS NET POSITION:			
Restricted, expendable for:			
Urban renewal purposes .....			
Community betterment .....			
Debt service .....			
Capital projects .....			
Sewer improvement and replacement ...			
Other purposes .....			
Unrestricted .....			
TOTAL CASH BASIS NET POSITION			



Exhibit A

Capital Grants, Contributions, and Restricted Interest	Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
	Governmental Activities	Business Type Activities	Total
\$ 2,000	\$ (829,155)		\$ (829,155)
337,142	(324,268)		(324,268)
	(26,500)		(26,500)
1,550	(288,080)		(288,080)
105,800	(250,524)		(250,524)
	(397,700)		(397,700)
	(1,281,701)		(1,281,701)
<u>2,487,320</u>	<u>(4,161,025)</u>		<u>(4,161,025)</u>
<u>2,933,812</u>	<u>(7,558,953)</u>		<u>(7,558,953)</u>
		\$ (483,224)	(483,224)
		10,377	10,377
		<u>(472,847)</u>	<u>(472,847)</u>
<u>\$2,933,812</u>	<u>(7,558,953)</u>	<u>(472,847)</u>	<u>(8,031,800)</u>
	1,411,239		1,411,239
	254,219		254,219
	1,878,787		1,878,787
	537,382		537,382
	17,594	4,731	22,325
	20,836		20,836
	<u>80,000</u>	<u>(80,000)</u>	
	<u>4,200,057</u>	<u>(75,269)</u>	<u>4,124,788</u>
	(3,358,896)	(548,116)	(3,907,012)
	<u>7,734,389</u>	<u>2,502,290</u>	<u>10,236,679</u>
	<u>\$4,375,493</u>	<u>\$1,954,174</u>	<u>\$ 6,329,667</u>
	\$2,059,114		\$ 2,059,114
	441,993		441,993
	23,822	\$ 12,016	35,838
	578,238		578,238
		172,359	172,359
	474,762	72,407	547,169
	<u>797,564</u>	<u>1,697,392</u>	<u>2,494,956</u>
	<u>\$4,375,493</u>	<u>\$1,954,174</u>	<u>\$ 6,329,667</u>

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Local Option Sales Tax</u>
RECEIPTS:			
Property tax .....	\$ 962,951		
Tax increment financing .....		\$1,878,787	
Other city taxes .....	156,878		\$ 537,382
Licenses and permits .....	14,816		
Use of money and property .....	94,377	2,566	3,402
Intergovernmental .....	362,069		5,000
Charges for service .....	371,215		
Special assessments .....	18,485		
Miscellaneous .....	<u>156,514</u>		<u>2,770</u>
TOTAL RECEIPTS	<u>2,137,305</u>	<u>1,881,353</u>	<u>548,554</u>
DISBURSEMENTS:			
Public safety .....	907,358		
Public works .....	636,673		
Health and social services .....	16,500		10,000
Culture and recreation .....	421,831		
Community and economic development .....	137,652	109,129	52,789
General government .....	264,465		119,464
Debt service .....		334,272	147,123
Capital projects .....		<u>13,455</u>	<u>96,288</u>
TOTAL DISBURSEMENTS	<u>2,384,479</u>	<u>456,856</u>	<u>425,664</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(247,174)</u>	<u>1,424,497</u>	<u>122,890</u>
OTHER FINANCING SOURCES:			
Operating transfers in .....	111,428		
Operating transfers out .....	(32,428)	(474,163)	(142,253)
Proceeds - sale of assets .....			
TOTAL OTHER FINANCING SOURCES (USES)	<u>79,000</u>	<u>(474,163)</u>	<u>(142,253)</u>
NET CHANGE IN CASH BALANCES	(168,174)	950,334	(19,363)
CASH BALANCES - BEGINNING OF YEAR .....	<u>756,004</u>	<u>1,108,780</u>	<u>461,356</u>
CASH BALANCES - END OF YEAR	<u>\$ 587,830</u>	<u>\$2,059,114</u>	<u>\$ 441,993</u>

## Exhibit B

Road Use Tax	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	Total
	\$ 251,769		\$ 287,152	\$1,501,872
				1,878,787
	2,450		4,258	700,968
				14,816
	29	\$ 8,848	196	109,418
\$ 518,041		2,280,265	199,413	3,364,788
				371,215
				18,485
		16,909	9,735	185,928
<u>518,041</u>	<u>254,248</u>	<u>2,306,022</u>	<u>500,754</u>	<u>8,146,277</u>
			238,280	1,145,638
553,655			195,976	1,386,304
				26,500
			55,214	477,045
			94,551	394,121
			23,929	407,858
	800,335			1,281,730
		6,538,602		6,648,345
<u>553,655</u>	<u>800,335</u>	<u>6,538,602</u>	<u>607,950</u>	<u>11,767,541</u>
<u>(35,614)</u>	<u>(546,087)</u>	<u>(4,232,580)</u>	<u>(107,196)</u>	<u>(3,621,264)</u>
	506,591	15,000	155,313	788,332
(5,500)	(11,468)		(520)	(666,332)
		166,660		166,660
<u>(5,500)</u>	<u>495,123</u>	<u>181,660</u>	<u>154,793</u>	<u>288,660</u>
(41,114)	(50,964)	(4,050,920)	47,597	(3,332,604)
<u>312,071</u>	<u>74,786</u>	<u>4,629,158</u>	<u>156,208</u>	<u>7,498,363</u>
<u>\$ 270,957</u>	<u>\$ 23,822</u>	<u>\$ 578,238</u>	<u>\$ 203,805</u>	<u>\$ 4,165,759</u>

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS - Continued  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>General</u>	Tax Increment <u>Financing</u>	Local Option <u>Sales Tax</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes .....		\$2,059,114	
Community betterment .....			\$ 441,993
Debt service .....			
Capital projects .....			
Community and economic development .....			
Employee benefits .....			
Streets .....			
Police purposes .....			
Disaster purposes .....			
Committed for:			
Library purposes .....	\$ 62,778		
Airport purposes .....	59,074		
Park purposes .....	42,711		
Museum purposes .....	97,652		
Assigned for:			
Equipment purchases .....	33,391		
Public safety purposes .....	223,856		
Recreation trails maintenance .....	82,491		
Cemetery purposes .....	5,000		
Unassigned .....	<u>(19,123)</u>	<u>          </u>	<u>          </u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 587,830</u>	<u>\$2,059,114</u>	<u>\$ 441,993</u>

Exhibit B

Road Use <u>Tax</u>	Debt <u>Service</u>	Capital <u>Projects</u>	Total Nonmajor Governmental <u>Funds</u>	<u>Total</u>
				\$2,059,114
				441,993
	\$ 23,822			23,822
		\$ 578,238		578,238
			\$ 117,849	117,849
			30,710	30,710
\$270,957				270,957
			6,113	6,113
			49,133	49,133
				62,778
				59,074
				42,711
				97,652
				33,391
				223,856
				82,491
				5,000
				(19,123)
<u>\$270,957</u>	<u>\$ 23,822</u>	<u>\$ 578,238</u>	<u>\$ 203,805</u>	<u>\$4,165,759</u>

CITY OF SHELDON  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF  
 ACTIVITIES AND NET POSITION - GOVERNMENTAL FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B ..... \$ 4,165,759

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the cash balance of the internal service fund is included in  
 governmental activities in the Cash Basis Statement of Activities and  
 Net Position. .... 209,734

CASH BASIS NET POSITION OF GOVERNMENTAL  
 ACTIVITIES PER EXHIBIT A \$ 4,375,493

NET CHANGE IN CASH BALANCES PER EXHIBIT B ..... \$ (3,332,604)

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the change in the cash balance of the internal service fund is  
 reported with governmental activities in the Cash Basis Statement of Activities  
 and Net Position. .... (26,292)

CHANGE IN CASH BASIS NET POSITION OF GOVERNMENTAL  
 ACTIVITIES PER EXHIBIT A \$ (3,358,896)

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Enterprise Funds</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
OPERATING RECEIPTS:				
Charges for services .....	\$ 922,841	\$717,917	\$1,640,758	
Reimbursements from operating funds ..				\$468,960
Reimbursements from employees and insurance .....				64,939
Miscellaneous .....	<u>27,961</u>	<u>9,488</u>	<u>37,449</u>	
TOTAL OPERATING RECEIPTS	<u>950,802</u>	<u>727,405</u>	<u>1,678,207</u>	<u>533,899</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services .....	706,159	605,348	1,311,507	
Insurance charges and claims .....				<u>504,691</u>
TOTAL OPERATING DISBURSEMENTS	<u>706,159</u>	<u>605,348</u>	<u>1,311,507</u>	<u>504,691</u>
EXCESS OF OPERATING RECEIPTS OVER OPERATING DISBURSEMENTS	<u>244,643</u>	<u>122,057</u>	<u>366,700</u>	<u>29,208</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments .....	2,905	800	3,705	2,331
Purchase of capital assets .....	(585,547)	(67,710)	(653,257)	
Debt service payments:				
Revenue note principal .....	(118,754)	(45,000)	(163,754)	
Revenue note interest .....	<u>(30,969)</u>	<u>(6,372)</u>	<u>(37,341)</u>	
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(732,365)</u>	<u>(118,282)</u>	<u>(850,647)</u>	<u>2,331</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(487,722)	3,775	(483,947)	31,539
OPERATING TRANSFERS OUT .....	<u>(23,500)</u>	<u>(23,500)</u>	<u>(47,000)</u>	<u>(75,000)</u>
NET CHANGE IN CASH BALANCES	(511,222)	(19,725)	(530,947)	(43,461)
CASH BALANCES - BEGINNING OF YEAR	<u>1,690,600</u>	<u>586,087</u>	<u>2,276,687</u>	<u>461,629</u>
CASH BALANCES - END OF YEAR	<u>\$1,179,378</u>	<u>\$566,362</u>	<u>\$1,745,740</u>	<u>\$418,168</u>

CITY OF SHELDON  
 STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
 CHANGES IN CASH BALANCES - PROPRIETARY FUNDS - Continued  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	<u>Enterprise Funds</u>			<u>Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Total</u>	<u>Self-Insurance</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Revenue note retirement .....		\$ 12,016	\$ 12,016	
Sewer improvement .....		90,000	90,000	
Sewer replacement .....		82,359	82,359	
Water deposits .....	\$ 72,407		72,407	
Unrestricted .....	<u>1,106,971</u>	<u>381,987</u>	<u>1,488,958</u>	<u>\$418,168</u>
 TOTAL CASH BASIS FUND BALANCES	 <u>\$1,179,378</u>	 <u>\$566,362</u>	 <u>\$1,745,740</u>	 <u>\$418,168</u>



CITY OF SHELDON  
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,  
 AND CHANGES IN CASH BALANCES TO THE CASH BASIS STATEMENT OF  
 ACTIVITIES AND NET POSITION - ENTERPRISE FUNDS  
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D ..... \$1,745,740

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the cash balance of the internal service fund is included in  
 business type activities in the Cash Basis Statement of Activities and  
 Net Position. .... 208,434

CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$1,954,174

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D... \$ (530,947)

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE  
 CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION ARE  
 DIFFERENT BECAUSE:

The internal service fund is used by the City to charge the cost of partial self  
 funding the City's health insurance benefit plan to the individual funds. A  
 portion of the change in the cash balance of the internal service fund is  
 reported with business type activities in the Cash Basis Statement of  
 Activities and Net Position. .... (17,169)

CHANGE IN CASH BASIS NET POSITION OF BUSINESS TYPE ACTIVITIES  
 PER EXHIBIT A \$ (548,116)

CITY OF SHELDON  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES - FIDUCIARY FUND  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Agency Cafeteria <u>Plan</u>
CASH BALANCE - BEGINNING OF YEAR .....	\$ (8)
RECEIPTS:	
Contributions .....	10,600
DISBURSEMENTS:	
Cafeteria plan benefits paid .....	<u>(12,612)</u>
CASH BALANCE - END OF YEAR	<u>\$ (2,020)</u>

CITY OF SHELTON  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Sheldon is a political subdivision of the State of Iowa located in O'Brien and Sioux Counties. It was first incorporated in 1876 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council-Manager form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Sheldon provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also provides water and sewer utilities services for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. It was determined that the City has no component units which meet the Governmental Accounting Standards Board's criteria.

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

**B. Basis of Presentation**

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of cash balances that do not meet the definition of the preceding category. Unrestricted net position often has constraints on cash balances imposed by management, which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary funds, and fiduciary funds even though the latter are excluded from the government-wide statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

*The General Fund* is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

*Special Revenue:*

*The Tax Increment Financing Fund* is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation capital loan notes and other indebtedness incurred for urban renewal redevelopment projects.

*The Local Option Sales Tax Fund* is used to account for the receipts from the tax authorized by referendum and used for property tax relief and community betterment.

*The Road Use Tax Fund* is used to account for road use tax allocation from the State of Iowa to be used for road construction and maintenance.

*The Debt Service Fund* is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

*The Capital Projects Fund* is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

*Enterprise:*

*The Water Fund* is used to account for the operation and maintenance of the City's water system.

*The Sewer Fund* is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

Additionally, the City reports the following funds:

*Proprietary Fund* - An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

*Fiduciary Fund* - Agency Fund is used to account for assets held by the City as an agent for individuals.

### **C. Measurement Focus and Basis of Accounting**

The City of Sheldon maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

### **D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in other spendable classifications.

## **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information.

## **F. Subsequent Events**

Subsequent events were evaluated by management for disclosure up to the date of the independent auditors' report, which is the date the financial statements were available to be issued.

## **2. CASH AND INVESTMENTS**

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2014 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2014:

Cash on hand .....	\$ 160
Demand deposits .....	211,100
Certificates of deposit/savings accounts .....	<u>6,116,387</u>
	<u>\$6,327,647</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

### 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Governmental Activities						
Year Ending June 30,	General Obligation Bonds/Notes		Sales and Service Tax Bonds		Tax Increment Financing Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 970,000	\$168,060	\$140,000	\$ 6,020	\$ 255,000	\$ 78,360
2016	985,000	151,765			265,000	67,268
2017	1,010,000	132,658			280,000	55,475
2018	1,030,000	110,930			290,000	42,875
2019	910,000	85,473			305,000	29,535
2020-2024	<u>3,435,000</u>	<u>169,017</u>	<u>          </u>	<u>          </u>	<u>320,000</u>	<u>15,200</u>
Total	<u>\$8,340,000</u>	<u>\$817,903</u>	<u>\$140,000</u>	<u>\$ 6,020</u>	<u>\$1,715,000</u>	<u>\$288,713</u>

Year Ending June 30,	USDA Airport Loan		Total	
	Principal	Interest	Principal	Interest
2015	\$ 23,440	\$ 8,988	\$ 1,388,440	\$261,428
2016	24,553	7,875	1,274,553	226,908
2017	25,720	6,708	1,315,720	194,841
2018	26,941	5,487	1,346,941	159,292
2019	28,221	4,207	1,243,221	119,215
2020-2024	<u>60,346</u>	<u>4,328</u>	<u>3,815,346</u>	<u>188,545</u>
Total	<u>\$ 189,221</u>	<u>\$ 37,593</u>	<u>\$10,384,221</u>	<u>\$1,150,229</u>

#### Revenue Notes

Year Ending June 30,	Sewer Revenue Capital Loan Notes		Water Revenue Capital Loan Notes		Total Revenue Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 47,000	\$ 5,562	\$ 124,266	\$ 28,002	\$ 171,266	\$ 33,564
2016	49,000	4,716	129,963	24,897	178,963	29,613
2017	50,000	3,834	136,138	21,650	186,138	25,484
2018	52,000	2,934	142,390	18,249	194,390	21,183
2019	54,000	1,998	149,001	14,691	203,001	16,689
2020-2022	<u>57,000</u>	<u>1,026</u>	<u>482,604</u>	<u>21,114</u>	<u>539,604</u>	<u>22,140</u>
Total	<u>\$ 309,000</u>	<u>\$ 20,070</u>	<u>\$1,164,362</u>	<u>\$128,603</u>	<u>\$1,473,362</u>	<u>\$148,673</u>

### **General Obligation Bonds/Notes**

The City's total general obligation bonds/notes at June 30, 2014 were \$8,340,000.

### **Sales and Service Tax Bonds**

On October 3, 1995, the residents of the City approved a local option sales tax at the rate of 1%. The revenues must be applied 37.5% for property tax relief and 62.5% for community betterment. The City has issued sales and service tax bonds to defray the cost of the Community Services Center project in accordance with Chapter 422B. The bonds are payable from 62.5% of the local option sales tax collected. If the 62.5% is insufficient to pay the bonds and interest, the shortfall may be paid from debt service. Therefore, the bonds are a general obligation of the City.

### **Tax Increment Financing Revenue Bonds**

The City issued \$3,045,000 of urban renewal revenue annual appropriation capital loan notes in October 2007 for the purpose of defraying a portion of the costs of an aquatic center within the urban renewal district. The bonds are payable solely from the tax increment financing (TIF) receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100 percent of the debt service requirements over the life of the bonds. The proceeds of the urban renewal tax increment financing revenue bonds shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The bonds are not a general obligation of the City. The bonds are subject at all times to non-appropriation by the City Council. Therefore, only the principal and interest appropriated by the Council is subject to the constitutional debt limit of the City. The amount appropriated for the fiscal year ending June 30, 2015 is \$333,360 including principal and interest. For the current year, principal and interest paid and TIF receipts were \$333,772 and \$1,878,787, respectively.

Under the terms of the bonds, the City is required to hold 10% of the bond proceeds in a reserve fund. The balance in this fund, including interest, is \$337,439 at June 30, 2014. This fund is included in the tax increment financing fund.

### **Revenue Notes**

The City has pledged future wastewater customer receipts, net of specific operating disbursements, to repay the \$814,000 sewer revenue capital loan notes issued in September 1999. Proceeds from the notes provided financing for the construction of wastewater improvements. The notes are payable solely from wastewater customer net receipts and are payable through 2020. Annual principal and interest payments are expected to require less than 45% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$329,070. For the current year, principal and interest paid and total customer net receipts were \$51,372 and \$122,057, respectively.

The resolution providing for the issuance of the sewer revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate sewer revenue sinking account for the purpose of making the principal and interest payments when due.



- (C) Additional monthly transfers shall be made to a separate sewer reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) Additional monthly transfers of \$2,500 to a sewer improvement account shall be made until a balance of \$90,000 has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking and reserve accounts and to pay the cost of extraordinary maintenance expenses or repairs, renewals and replacements not included in the annual budget and for capital improvements to the systems.
- (E) User rates shall be established at a level which produces and maintains net receipts at a level not less than 110% of the amount of principal and interest on the notes falling due in the same year.

During the year ended June 30, 2014, the City was in compliance with all the sewer revenue notes provisions.

The City has also pledged future water customer receipts, net of specific operating expenses, to repay the \$1,900,000 water revenue capital loan notes issued in March 2007. Proceeds from the notes provided financing for the prepayment of the City's obligation to Lewis and Clark Regional Water System. The notes are payable solely from water customer net receipts and are payable through 2022. Annual principal and interest payments are expected to require less than 63% of net revenues. The total principal and interest payments remaining to be paid on the notes are \$1,292,965. For the current year, principal and interest paid and total customer net receipts were \$149,723 and \$244,643, respectively.

The notes were purchased by a local bank in participation with three other local banks.

The resolution providing for the issuance of the water revenue capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holder holds a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking account for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve account until a specific minimum balance has been accumulated. This account is restricted for the purpose of paying principal and interest payments when insufficient money is available in the sinking account.
- (D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the notes falling due in the same year.

The purchaser of the notes has waived provisions (B) and (C). The City was in compliance with the other water revenue notes provisions during the year ended June 30, 2014.

### Airport Loan

This loan was made through the United States Department of Agriculture for improvements at the City's airport. The loan has an unpaid balance of \$189,221 as of June 30, 2014, which will be paid from the general fund. The notes call for annual payments of \$32,428 including interest at 4.75%.

## 4. DUE FROM SHELDON CHAMBER AND DEVELOPMENT CORPORATION

The City has granted the Sheldon Community and Development Corporation (SCDC) land and also financed SCDC's purchase of land. The land is being held for development and resale. The SCDC has agreed to pay a portion of the sales price back to the City as the land is sold.

## 5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue:		
	Local option sales tax	\$ 47,460	Street lighting, park bleachers
	Road use tax	5,500	Mosquito control
	Debt service	11,468	Bond and legal fees
	Proprietary:		
	Enterprise:		
	Water	23,500	Mosquito control and street lighting
	Sewer	<u>23,500</u>	Mosquito control and street lighting
		<u>111,428</u>	
Debt Service	General fund	32,428	Principal and interest payments
	Special revenue:		
	Tax increment financing	<u>474,163</u>	Principal and interest payments
		<u>506,591</u>	
Capital Projects	Special revenue:		
	Local option sales tax	<u>15,000</u>	Trails maintenance
Special Revenue:	Special revenue:		
Employee benefits	Local option sales tax	79,793	Property tax relief
	Proprietary:		
	Internal service:		
	Self insurance	<u>75,000</u>	Property tax relief
		<u>154,793</u>	
Housing rehab	Special revenue:		
	LMI	<u>520</u>	To close fund
TOTAL OPERATING TRANSFERS		<u>\$788,332</u>	

## **6. PENSION AND RETIREMENT BENEFITS**

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$135,594, \$129,105, and \$118,040, respectively, equal to the required contributions for each year.

## **7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

### **Plan Description**

The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits to active and retired employees and their eligible dependents. There are 26 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a self-insured plan. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

### **Funding Policy**

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the city and plan members are \$604 for single coverage and \$1,578 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City contributed \$468,960 and plan members eligible for benefits contributed \$7,597 to the plan.

## 8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. In addition, employees over age 55 have accumulated earned but unused sick pay which is payable upon retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2014 is as follows:

Governmental activities:

General fund .....	\$ 87,272
Special revenue:	
Road use tax .....	<u>36,405</u>
Total governmental activities	<u>123,677</u>

Business type activities:

Proprietary:	
Enterprise:	
Water .....	23,254
Sewer .....	<u>13,075</u>
Total business type activities	<u>36,329</u>

TOTAL	<u>\$160,006</u>
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## 9. HEALTH CARE FACILITY REVENUE BONDS AND HOUSING REVENUE NOTES

The City has issued Health Care Facility Revenue Bonds and Housing Revenue Notes under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City. The outstanding balance at June 30, 2014 has not been determined.

## 10. RELATED PARTY TRANSACTIONS

The City has business transactions between the City and City officials, totaling \$126,988 during the year ended June 30, 2014. See item 14-IV-D in the Schedule of Findings and Questioned Costs.

## 11. CONTRACT AND OTHER COMMITMENTS

The City has entered into construction contracts for various projects. A summary of the contracts is as follows:

Contract total .....	\$5,307,239
Paid as of June 30, 2014 .....	<u>4,911,508</u>
Balance to complete	<u>\$ 395,731</u>

The City has also entered into several tax increment financing rebate agreements with local businesses. The City has agreed to rebate the taxes paid by the business over a period of years. The City will expense the rebates as the taxes are collected and returned to the businesses.

## **12. SUBSEQUENT EVENTS**

Subsequent to June 30, 2014, the City entered into various construction projects that totaled \$749,593.

## **13. RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses estimated for the fiscal year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level determined by the Board not to exceed 300 percent of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses, reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$113,653.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss, or series of claims or losses exhausts the Pool's funds and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City has established a self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City's plan has established a specific stop-loss amount of \$20,000 and an aggregate stop-loss of 125% of expected claims for the year. The City purchases commercial insurance for claims in excess of coverage provided.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

#### **14. COLLECTIVE BARGAINING AGREEMENT**

All employees, except for the office personnel and management, are covered by collective bargaining agreements which expired June 30, 2014. A new agreement has been negotiated which expires June 30, 2017.

#### **15. PROSPECTIVE ACCOUNTING CHANGE**

The Government Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## **SUPPLEMENTARY INFORMATION**

CITY OF SHELDON  
COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND  
CHANGES IN CASH BALANCES  
ALL NONMAJOR GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds		
	LHAP Reuse	Employee Benefits	LMI
RECEIPTS:			
Property tax .....		\$287,152	
Other city taxes .....		4,258	
Use of money and property .....	\$ 27		\$ 169
Intergovernmental .....			
Miscellaneous .....		1,328	
TOTAL RECEIPTS	<u>27</u>	<u>292,738</u>	<u>169</u>
DISBURSEMENTS:			
Public safety .....		232,780	
Public works .....		147,496	
Culture and recreation .....		55,214	
Community and economic development .....		13,107	
General government .....		23,929	
TOTAL DISBURSEMENTS		<u>472,526</u>	
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>27</u>	<u>(179,788)</u>	<u>169</u>
OTHER FINANCING SOURCES:			
Operating transfers in .....		154,793	
Operating transfers out .....			(520)
TOTAL OTHER FINANCING SOURCES (USES)		<u>154,793</u>	<u>(520)</u>
NET CHANGE IN CASH BALANCES	27	(24,995)	(351)
CASH BALANCES - BEGINNING OF YEAR .....	<u>37,268</u>	<u>55,705</u>	<u>80,905</u>
CASH BALANCES - END OF YEAR	<u>\$ 37,295</u>	<u>\$ 30,710</u>	<u>\$80,554</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Community and economic development .....	\$ 37,295		\$ 80,554
Employee benefits .....		\$ 30,710	
Police purposes .....			
Disaster purposes .....			
Unassigned .....			
TOTAL CASH BASIS FUND BALANCES	<u>\$ 37,295</u>	<u>\$ 30,710</u>	<u>\$80,554</u>



## Schedule 1

<u>Special Revenue Funds</u>			
<u>Housing Rehab</u>	<u>Seizure</u>	<u>FEMA</u>	<u>Total</u>
			\$287,152
			4,258
			196
\$101,800		\$ 97,613	199,413
	\$ 8,407		9,735
<u>101,800</u>	<u>8,407</u>	<u>97,613</u>	<u>500,754</u>
	5,500		238,280
		48,480	195,976
			55,214
81,444			94,551
			23,929
<u>81,444</u>	<u>5,500</u>	<u>48,480</u>	<u>607,950</u>
<u>20,356</u>	<u>2,907</u>	<u>49,133</u>	<u>(107,196)</u>
520			155,313
			(520)
<u>520</u>			<u>154,793</u>
20,876	2,907	49,133	47,597
<u>(20,876)</u>	<u>3,206</u>		<u>156,208</u>
<u>\$ -</u>	<u>\$ 6,113</u>	<u>\$ 49,133</u>	<u>\$203,805</u>
			\$117,849
			30,710
	\$ 6,113		6,113
		\$ 49,133	49,133
<u></u>	<u></u>	<u></u>	<u></u>
<u>\$ -</u>	<u>\$ 6,113</u>	<u>\$ 49,133</u>	<u>\$203,805</u>

CITY OF SHELDON  
SCHEDULE OF INDEBTEDNESS  
FOR THE YEAR ENDED JUNE 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Amount Interest Rates</u>	<u>Originally Issued</u>	<u>Final Due Date</u>
<u>GOVERNMENTAL ACTIVITIES:</u>				
General Obligation Bonds/Notes:				
Capital loan notes, series 2008	4-01-2008	3.35 - 3.65%	\$1,860,000	6-01-2018
Taxable capital loan notes, series 2011A	1-31-2011	3.00 - 4.30%	2,200,000	6-01-2019
Capital loan notes, series 2011B	1-31-2011	3.10 - 3.60%	1,020,000	6-01-2021
Capital loan notes, series 2013	5-29-2013	0.40 - 1.90%	5,350,000	6-01-2024
Total General Obligation Bonds/Notes				
Tax Increment Financing Bonds:				
Urban renewal revenue annual appropriation capital loan notes	10-19-2007	4.35 - 4.75%	3,045,000	6-01-2020
Sales and Service Tax Bonds:				
Refunding bonds	5-01-2003	4.30%	1,415,000	6-01-2015
Other Long-Term Debt:				
USDA airport loan	6-06-2001	4.75%	400,000	6-05-2021
TOTAL GOVERNMENTAL ACTIVITIES				
<u>BUSINESS TYPE ACTIVITIES:</u>				
Revenue Notes:				
Sewer revenue capital loan notes	9-15-1999	1.80%	\$ 814,000	6-01-2020
Water revenue capital loan notes	3-25-2007	2.47%	1,900,000	6-01-2022
TOTAL BUSINESS TYPE ACTIVITIES				

## Schedule 2

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
\$ 675,000		\$125,000	\$ 550,000	\$ 23,275
1,880,000		325,000	1,555,000	65,652
1,020,000			1,020,000	34,658
<u>5,350,000</u>		<u>135,000</u>	<u>5,215,000</u>	<u>57,322</u>
<u>8,925,000</u>		<u>585,000</u>	<u>8,340,000</u>	<u>180,907</u>
<u>1,960,000</u>		<u>245,000</u>	<u>1,715,000</u>	<u>88,772</u>
<u>275,000</u>		<u>135,000</u>	<u>140,000</u>	<u>11,623</u>
<u>211,598</u>		<u>22,377</u>	<u>189,221</u>	<u>10,051</u>
<u>\$11,371,598</u>		<u>\$987,377</u>	<u>\$10,384,221</u>	<u>\$291,353</u>
\$ 354,000		\$ 45,000	\$ 309,000	\$ 6,372
<u>1,283,116</u>		<u>118,754</u>	<u>1,164,362</u>	<u>30,969</u>
<u>\$ 1,637,116</u>		<u>\$163,754</u>	<u>\$ 1,473,362</u>	<u>\$ 37,341</u>

CITY OF SHELDON  
BOND AND NOTE MATURITIES  
JUNE 30, 2014

General Obligation Bonds/Notes

Year Ending June 30,	Capital Loan Notes Issued 4-1-2008		Taxable Capital Loan Notes Issued 1-31-2011		Capital Loan Notes Issued 1-31-2011	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2015	3.35%	\$ 130,000	3.00%	\$ 330,000		
2016	3.45%	135,000	3.50%	340,000		
2017	3.55%	140,000	3.85%	355,000		
2018	3.65%	145,000	4.10%	365,000		
2019			4.30%	165,000	3.10%	\$ 215,000
2020					3.35%	395,000
2021					3.60%	410,000
2022						
2023						
2024						
		<u>\$ 550,000</u>		<u>\$ 1,555,000</u>		<u>\$ 1,020,000</u>

Year Ending June 30,	Capital Loan Notes Issued 5-29-2013		General Obligation Total
	Interest Rate	Amount	
2015	0.40%	\$ 510,000	\$ 970,000
2016	0.50%	510,000	985,000
2017	0.60%	515,000	1,010,000
2018	1.00%	520,000	1,030,000
2019	0.90%	530,000	910,000
2020	1.05%	530,000	925,000
2021	1.25%	540,000	950,000
2022	1.50%	545,000	545,000
2023	1.75%	550,000	550,000
2024	1.90%	465,000	465,000
		<u>\$ 5,215,000</u>	<u>\$ 8,340,000</u>

See Accompanying Independent Auditors' Report

CITY OF SHELDON  
BOND AND NOTE MATURITIES - Continued  
JUNE 30, 2014

Other Governmental Activities Bonds/Notes

Year Ending June 30,	Urban Renewal Revenue Annual Appropriation Capital Loan Notes Issued 10-19-07		Sales and Service Tax Refunding Bonds Issued 5-1-2003		USDA Airport Loan Issued 6-6-2001		Other Governmental Activities Total
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount	
2015	4.35%	\$ 255,000	4.30%	\$ 140,000	4.75%	\$ 23,440	\$ 418,440
2016	4.45%	265,000			4.75%	24,553	289,553
2017	4.50%	280,000			4.75%	25,720	305,720
2018	4.60%	290,000			4.75%	26,941	316,941
2019	4.70%	305,000			4.75%	28,221	333,221
2020	4.75%	320,000			4.75%	29,562	349,562
2021					4.75%	30,784	30,784
		<u>\$ 1,715,000</u>		<u>\$ 140,000</u>		<u>\$ 189,221</u>	<u>\$ 2,044,221</u>

Revenue Notes

Year Ending June 30,	Water Revenue Capital Loan Notes Issued 3-25-2007		Sewer Revenue Capital Loan Notes Issued 9-15-1999		Revenue Notes Total
	Interest Rate	Amount	Interest Rate	Amount	
2015	2.47%	\$ 124,266	1.80%	\$ 47,000	\$ 171,266
2016	2.47%	129,963	1.80%	49,000	178,963
2017	2.47%	136,138	1.80%	50,000	186,138
2018	2.47%	142,390	1.80%	52,000	194,390
2019	2.47%	149,001	1.80%	54,000	203,001
2020	2.47%	155,888	1.80%	57,000	212,888
2021	2.47%	161,180			161,180
2022	2.47%	165,536			165,536
		<u>\$ 1,164,362</u>		<u>\$ 309,000</u>	<u>\$ 1,473,362</u>

See Accompanying Independent Auditors' Report

CITY OF SHELDON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2014

<u>GRANTOR/PROGRAM</u>	<u>CFDA Number</u>	<u>Grantor Project Number</u>	<u>Program Expenditures</u>
Direct:			
Department of Transportation:			
Federal Aviation Administration:			
Airport Improvement Program	20.106	3-19-0081-10-2010	\$ 7,600
		3-19-0081-11-2012	5,979
		3-19-0081-12-2013	<u>429,383</u>
Total Direct			<u>442,962</u>
Indirect:			
U.S. Department of Housing and Urban Development:			
Iowa Department of Economic Development:			
Community Development Block Grant	14.228	11-HSG-048	77,945
Department of Homeland Security:			
Iowa Homeland Security and Emergency			
Management:			
Disaster Grants - Public Assistance Grants			
(Presidentially Declared Disasters)	97.036	PA ID#141-72390-00	<u>87,064</u>
Total Indirect			<u>165,009</u>
TOTAL			<u>\$607,971</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Sheldon and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## OTHER INFORMATION

CITY OF SHELDON  
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS  
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -  
ALL GOVERNMENTAL AND PROPRIETARY FUNDS  
OTHER INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes .....	\$ 1,501,872		\$ 1,501,872
Other city taxes .....	700,968		700,968
Tax increment financing revenues .....	1,878,787		1,878,787
Licenses and permits .....	14,816		14,816
Use of money and property .....	109,418	\$ 6,036	115,454
Intergovernmental .....	3,364,788		3,364,788
Charges for services .....	371,215	2,109,718	2,480,933
Special assessments .....	18,485		18,485
Miscellaneous .....	185,928	112,988	298,916
TOTAL RECEIPTS	<u>8,146,277</u>	<u>2,228,742</u>	<u>10,375,019</u>
DISBURSEMENTS:			
Public safety .....	1,145,638		1,145,638
Public works.....	1,386,304		1,386,304
Health and social services .....	26,500		26,500
Culture and recreation .....	477,045		477,045
Community and economic development .....	394,121		394,121
General government .....	407,858		407,858
Debt service .....	1,281,730		1,281,730
Capital projects .....	6,648,345		6,648,345
Business-type activities .....		2,165,859	2,165,859
Non-program .....		517,303	517,303
TOTAL DISBURSEMENTS	<u>11,767,541</u>	<u>2,683,162</u>	<u>14,450,703</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(3,621,264)</u>	<u>(454,420)</u>	<u>(4,075,684)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in .....	788,332		788,332
Operating transfer out .....	(666,332)	(122,000)	(788,332)
Proceeds - sale of assets .....	166,660		166,660
TOTAL OTHER FINANCING SOURCES (USES)	<u>288,660</u>	<u>(122,000)</u>	<u>166,660</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	<u>(3,332,604)</u>	<u>(576,420)</u>	<u>(3,909,024)</u>
BALANCE - BEGINNING OF YEAR .....	<u>7,498,363</u>	<u>2,738,308</u>	<u>10,236,671</u>
BALANCE - END OF YEAR	<u>\$ 4,165,759</u>	<u>\$2,161,888</u>	<u>\$ 6,327,647</u>



## Schedule 5

Less Funds Not Required to be Budgeted	Net Actual	Original Budget	Final Budget	Final to Actual Variance
	\$ 1,501,872	\$ 1,477,689	\$1,477,689	\$ 24,183
	700,968	681,525	695,525	5,443
	1,878,787	1,922,778	1,922,778	(43,991)
	14,816	13,165	13,165	1,651
\$ 2,331	113,123	115,515	115,515	(2,392)
	3,364,788	2,018,442	3,645,451	(280,663)
468,960	2,011,973	2,041,597	2,041,597	(29,624)
	18,485	1,000	1,000	17,485
<u>75,539</u>	<u>223,377</u>	<u>776,625</u>	<u>887,125</u>	<u>(663,748)</u>
<u>546,830</u>	<u>9,828,189</u>	<u>9,048,336</u>	<u>10,799,845</u>	<u>(971,656)</u>
	1,145,638	1,150,682	1,150,682	5,044
	1,386,304	1,340,949	1,389,429	3,125
	26,500	28,500	28,500	2,000
	477,045	612,362	612,362	135,317
	394,121	296,215	433,910	39,789
	407,858	418,618	422,618	14,760
	1,281,730	1,263,005	1,303,006	21,276
	6,648,345	7,235,000	8,658,200	2,009,855
	2,165,859	2,621,889	2,871,889	706,030
<u>517,303</u>				
<u>517,303</u>	<u>13,933,400</u>	<u>14,967,220</u>	<u>16,870,596</u>	<u>2,937,196</u>
<u>29,527</u>	<u>(4,105,211)</u>	<u>(5,918,884)</u>	<u>(6,070,751)</u>	<u>1,965,540</u>
	788,332	1,638,952	1,638,952	(850,620)
(75,000)	(713,332)	(1,638,952)	(1,638,952)	925,620
	<u>166,660</u>		<u>146,650</u>	<u>20,010</u>
<u>(75,000)</u>	<u>241,660</u>		<u>146,650</u>	<u>95,010</u>
(45,473)	(3,863,551)	(5,918,884)	(5,924,101)	2,060,550
<u>461,621</u>	<u>9,775,050</u>	<u>10,071,686</u>	<u>10,071,686</u>	<u>(296,636)</u>
<u>\$416,148</u>	<u>\$ 5,911,499</u>	<u>\$ 4,152,802</u>	<u>\$ 4,147,585</u>	<u>\$1,763,914</u>

CITY OF SHELDON  
NOTES TO SCHEDULE 5 - BUDGETARY REPORTING  
FOR THE YEAR ENDED JUNE 30, 2014

The budgetary comparison is presented in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business-type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$1,903,376. This budget amendment is reflected in the final budgeted amounts.

CITY OF SHELDON  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
RECEIPTS:				
Property tax .....	\$ 1,501,872	\$1,432,048	\$1,369,670	\$1,204,482
Tax increment financing .....	1,878,787	1,839,228	1,750,174	2,215,974
Other City taxes .....	700,968	701,949	681,333	638,549
Licenses and permits .....	14,816	12,447	12,173	11,975
Use of money and property .....	109,418	117,492	114,330	117,228
Intergovernmental .....	3,364,788	854,341	929,224	705,140
Charges for services .....	371,215	395,800	377,538	395,888
Special assessments .....	18,485	2,227	401	14,998
Miscellaneous .....	<u>185,928</u>	<u>168,519</u>	<u>257,097</u>	<u>125,529</u>
TOTAL RECEIPTS	<u>\$ 8,146,277</u>	<u>\$5,524,051</u>	<u>\$5,491,940</u>	<u>\$5,429,763</u>
DISBURSEMENTS:				
Public safety .....	\$ 1,145,638	\$1,128,661	\$1,116,261	\$ 831,273
Public works .....	1,386,304	1,013,510	706,086	880,355
Health and social services .....	26,500	16,500	15,500	15,500
Culture and recreation .....	477,045	503,533	527,914	464,512
Community and economic development .....	394,121	501,782	388,552	356,868
General government .....	407,858	423,095	332,493	342,258
Debt service .....	1,281,730	1,088,690	971,366	881,645
Capital projects .....	<u>6,648,345</u>	<u>1,390,607</u>	<u>2,435,130</u>	<u>3,370,859</u>
TOTAL DISBURSEMENTS	<u>\$11,767,541</u>	<u>\$6,066,378</u>	<u>\$6,493,302</u>	<u>\$7,143,270</u>

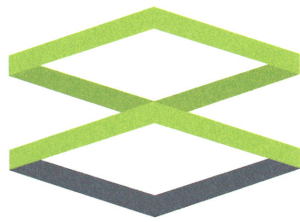
<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$1,129,515	\$1,101,847	\$1,000,580	\$1,088,289	\$1,163,190	\$1,380,145
2,063,537	1,849,357	1,381,795	1,215,979	1,146,197	1,010,582
526,941	683,965	591,117	519,010	455,606	461,224
11,739	10,757	11,838	41,560	10,685	10,473
120,068	159,167	204,717	143,511	123,571	104,066
960,474	512,412	1,242,981	1,380,683	520,969	620,081
540,672	626,339	490,988	480,405	476,627	467,448
	1,815	109	833	653	3,920
<u>251,783</u>	<u>164,289</u>	<u>218,222</u>	<u>238,533</u>	<u>126,546</u>	<u>73,485</u>
<u>\$5,604,729</u>	<u>\$5,109,948</u>	<u>\$5,142,347</u>	<u>\$5,108,803</u>	<u>\$4,024,044</u>	<u>\$4,131,424</u>
\$1,003,796	\$ 964,191	\$ 765,503	\$1,011,219	\$ 668,867	\$ 675,878
1,199,692	955,752	1,193,661	862,975	811,163	794,134
15,500	15,500				
492,326	532,690	371,462	500,724	428,609	385,817
453,534	368,431	309,073	837,469	146,387	161,755
374,716	324,849	318,461	337,527	319,084	521,762
1,586,968	1,128,038	1,340,354	699,461	781,458	1,166,454
<u>1,091,594</u>	<u>1,951,447</u>	<u>3,441,879</u>	<u>1,007,943</u>	<u>824,432</u>	<u>1,672,003</u>
<u>\$6,218,126</u>	<u>\$6,240,898</u>	<u>\$7,740,393</u>	<u>\$5,257,318</u>	<u>\$3,980,000</u>	<u>\$5,377,803</u>

CITY OF SHELDON  
CAPITAL ASSETS ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
GOVERNMENTAL ACTIVITIES				
COST OF CAPITAL ASSETS:				
Capital assets not being depreciated:				
Construction in progress .....	\$ 1,325,528	\$1,459,987		\$ 2,785,515
Land .....	<u>406,000</u>	<u>          </u>	<u>          </u>	<u>406,000</u>
Total capital assets not being depreciated	<u>1,731,528</u>	<u>1,459,987</u>	<u>          </u>	<u>3,191,515</u>
Capital assets being depreciated:				
Buildings and improvements .....	5,485,568			5,485,568
Aquatic Center .....	2,731,883			2,731,883
Equipment and vehicles .....	3,760,415	256,057	\$ (26,728)	3,989,744
Infrastructure .....	<u>12,202,099</u>	<u>2,169,389</u>	<u>          </u>	<u>14,371,488</u>
Total capital assets being depreciated	<u>24,179,965</u>	<u>2,425,446</u>	<u>(26,728)</u>	<u>26,578,683</u>
TOTAL COST OF CAPITAL ASSETS	<u>25,911,493</u>	<u>3,885,433</u>	<u>(26,728)</u>	<u>29,770,198</u>
ACCUMULATED DEPRECIATION:				
Building and improvements .....	2,105,276	133,466		2,238,742
Aquatic Center .....	537,270	109,275		646,545
Equipment and vehicles .....	2,251,201	209,747	(26,728)	2,434,220
Infrastructure .....	<u>5,371,972</u>	<u>431,359</u>	<u>          </u>	<u>5,803,331</u>
TOTAL ACCUMULATED DEPRECIATION	<u>10,265,719</u>	<u>883,847</u>	<u>(26,728)</u>	<u>11,122,838</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS - NET	<u>\$15,645,774</u>	<u>\$3,001,586</u>	<u>\$          </u>	<u>\$18,647,360</u>

CITY OF SHELDON  
CAPITAL ASSETS ACTIVITY - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
BUSINESS TYPE ACTIVITIES				
COST OF CAPITAL ASSETS:				
Capital assets not being depreciated:				
Construction in progress .....	\$ 34,207	\$ 414,604		\$ 448,811
Land .....	84,390			84,390
Lewis and Clark water rights .....	<u>2,559,634</u>			<u>2,559,634</u>
Total capital assets not being depreciated	<u>2,678,231</u>	<u>414,604</u>		<u>3,092,835</u>
Capital assets being depreciated:				
Water and sewer plants .....	5,034,896			5,034,896
Equipment and vehicles .....	1,068,695	107,891		1,176,586
Infrastructure .....	<u>5,940,345</u>	<u>130,762</u>		<u>6,071,107</u>
Total capital assets being depreciated	<u>12,043,936</u>	<u>238,653</u>		<u>12,282,589</u>
TOTAL COST OF CAPITAL ASSETS	<u>14,722,167</u>	<u>653,257</u>		<u>15,375,424</u>
ACCUMULATED DEPRECIATION:				
Water and sewer plants .....	3,585,272	101,030		3,686,302
Equipment and vehicles .....	762,186	70,949		833,135
Infrastructure .....	<u>2,006,376</u>	<u>153,299</u>		<u>2,159,675</u>
TOTAL ACCUMULATED DEPRECIATION	<u>6,353,834</u>	<u>325,278</u>		<u>6,679,112</u>
BUSINESS-TYPE ACTIVITIES CAPITAL ASSETS - NET	<u>\$ 8,368,333</u>	<u>\$ 327,979</u>	<u>\$</u>	<u>\$ 8,696,312</u>



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Sheldon, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 12, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

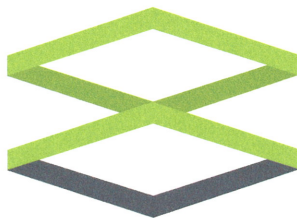
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Winthru, Stave & Co., LLP*

February 12, 2015  
Spencer, Iowa





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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR THE MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER  
COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

The Honorable Mayor and  
Members of the City Council  
City of Sheldon  
Sheldon, IA 51201

**Report on Compliance for The Major Federal Program**

We have audited the City of Sheldon, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2014. The City's major federal program is identified in Part I of the accompanying Schedule of Finding and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

## **Opinion on The Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Winter, Stave & Co., LLP*

February 12, 2015  
Spencer, Iowa

CITY OF SHELDON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2014

**Part I: Summary of the Independent Auditors' Results:**

- a. Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.
- b. No material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- c. The audit did not disclose any noncompliance which is material to the financial statements.
- d. No material weakness in internal control over the major program was disclosed by the audit of the financial statements.
- e. An unmodified opinion was issued on compliance with requirements applicable to the major program.
- f. The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- g. The major program was CFDA Number 20.106 - Airport Improvement Program.
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- i. The City of Sheldon did not qualify as a low-risk auditee.

CITY OF SHELDON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part II: Findings Related to the Financial Statements**

**Internal control over Financial Reporting:**

No findings were noted.

**Instances of Non-Compliance:**

No findings were noted.

**Part III: Findings and Questioned Costs for Federal Awards**

**Instances of Non-Compliance:**

No findings were noted.

**Reportable Conditions:**

No material weaknesses in internal control over the major program were reported.

CITY OF SHELDON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part IV: Other Findings Related to Required Statutory Reporting**

14-IV-A Certified Budget - Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted.

14-IV-B Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

14-IV-C Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

14-IV-D Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Ron Rensink, Council Member, Owner of Perspective Insurance	Insurance	\$119,465
Duane Seehusen, Council Member, Owner of Sheldon Veterinary Medical Center	Boarding animals	1,483
Brad Hindt, Council Member, Owner of Downtown Hardware	Supplies	4,975
Dave Popkes, Council Member, Owner Dave's Appliance	Supplies	274
Greg Geels, Council Member, Owner of Vogel Paint and Glass, Inc.	Supplies	791

The transactions with Mr. Popkes, Mr. Seehusen, and Mr. Geels do not appear to be a conflict of interest since the total paid to each individual was less than \$1,500.

The transactions with Mr. Rensink do not appear to be a conflict of interest since they relate primarily to payment on the City's Iowa Community Assurance Pool (ICAP) insurance policy. The contract with ICAP was signed prior to Mr. Rensink being a council member and is therefore an exception under Chapter 362.5(7) of the Code of Iowa.

The transactions with Mr. Hindt may represent a conflict of interest since the total paid to his business was more than \$1,500 and competitive bidding was not utilized.

CITY OF SHELDON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part IV: Other Findings Related to Required Statutory Reporting** - Continued

14-IV-D Business Transactions - continued

Recommendation - The City should use the competitive bidding process when practical.

Response - These transactions were for normal expenses. The City will monitor spending and use competitive bidding when practical.

Conclusion - Response accepted.

14-IV-E Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

14-IV-F Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

13-IV-G Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

13-IV-H Revenue Notes - No noncompliance with revenue note provisions were noted.

14-IV-I Urban Renewal Annual Report - The urban renewal report for the fiscal year ended June 30, 2013 was approved by the Council on October 16, 2013, but it appears it was not certified to the Iowa Department of Management until December 18, 2013. The reserve fund required by the TIF capital loan notes issued October 19, 2007 was not included in the TIF cash balance as of June 30, 2013. This reserve fund can only be used to pay the principal and interest on the notes. Therefore, this fund should have been included with the TIF cash balance. The result of this error is that the TIF cash balance was understated by \$336,022.

Recommendation - The City should certify the urban renewal report to the Iowa Department of Management on or before December 1 and include the cash balance of the reserve fund in the TIF cash balance.

Response - This will be corrected on future reports.

Conclusion - Response accepted.

CITY OF SHELDON  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part IV: Other Findings Related to Required Statutory Reporting** - Continued

14-IV-J Economic Development - We noted that the City paid the Sheldon Chamber and Development Corporation (SCDC) \$40,000 from tax increment financing revenues, \$104,416 from hotel/motel tax, and \$10,000 from local option sales tax.

In addition, we noted that the City paid the O'Brien County Economic Development Corporation \$5,811 from tax increment financing revenues.

It appears the City properly evaluated the public purpose and requires documentation of how the funds were used.